



# ARIZONA STATE RETIREMENT SYSTEM

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*Paul Matson  
Director*

## MINUTES PUBLIC MEETING ARIZONA STATE RETIREMENT SYSTEM BOARD

**Friday, April 15, 2011  
8:30 a.m., Arizona Time**

The Arizona State Retirement System (ASRS) Board met in the 10<sup>th</sup> Floor Board Room, 3300 N. Central Avenue, Phoenix, Arizona. Mr. David Byers, Chair of the ASRS Board, called the meeting to order at 8:34 a.m., Arizona Time.

The meeting was teleconferenced to the ASRS office at 7660 E. Broadway, Tucson, Arizona 85710.

### **1. Call to Order; Roll Call; Opening Remarks**

Present: Mr. David Byers, Chair  
Mr. Tom Connelly, Vice-chair  
Mr. Chris Harris  
Professor Dennis Hoffman (via teleconference)  
Mr. Tom Manos  
Mr. Kevin McCarthy  
Mr. Michael Townsend

Absent: Mr. Larry Trachtenberg  
Mr. Steve Zeman

A quorum was present for the purpose of conducting business.

Mr. David Byers, Chair, stated the appeal agenda item would be covered after the Legislative agenda item due to the possibility of an Executive Session occurring for the Legislative item.

### **2. Approval of the Minutes of the March 18, 2011 Public Meeting and Executive Session of the ASRS Board**

**Motion:** Mr. Michael Townsend moved to approve the minutes of the March 18, 2011 Public Meeting and Executive Session of the ASRS Board. Mr. Chris Harris seconded the motion.

By a vote of 7 in favor, 0 opposed, 0 abstentions, and 2 excused, the motion was approved.

### **3. Presentation, Discussion and Appropriate Action Regarding the 2011 Legislative Session**

Mr. Pat Klein, Assistant Director, External Affairs, and Ms. Lesli Sorensen, Government Relations Officer, addressed the Board regarding ASRS 2011 legislative initiatives and legislative proposals by other organizations that affect the ASRS. Ms. Sorensen detailed some of the changes made by recent passage of several House and Senate bills including SB1614, which requires a change from the 50/50 split in contribution payments for members and employers to a 53/47 split.

Ms. Sorensen said the Governor made no nominations to the ASRS Board.

Mr. Byers suggested the need for the Board to obtain legal advice, given the recent passage of SB1614 and SB1609.

**Motion:** Mr. Michael Townsend moved to go into Executive Session for the purpose of obtaining legal advice regarding recent legislation. Mr. Chris Harris seconded the motion.

By a vote of 7 in favor, 0 opposed, 0 abstentions, and 2 excused, the motion was approved.

The Board recessed from the Regular Meeting at 9:05 a.m., to relocate to the 14<sup>th</sup> floor.

The Board convened to Executive Session at 9:10 a.m.

The Board returned to the Regular Meeting at 10:44 a.m.

**Motion:** Mr. Tom Connelly moved to authorize the Director to pursue various legal, administrative and legislative avenues to further research and resolve the issues relating to SB1614. Mr. Chris Harris seconded the motion.

By a vote of 7 in favor, 0 opposed, 0 abstentions, and 2 excused, the motion was approved.

#### **4. Approval, Modification, or Rejection of Recommended Administrative Law Judge's Decision Regarding Ms. Sylvia Lopez's Request for ASRS Contingent Annuitant Benefits**

Mr. Tom Manos, Trustee, stated he personally knew Ms. Sylvia Lopez from a past business relationship, and was recusing himself from participating or voting on this agenda item.

Ms. Jothi Beljan, Assistant Attorney General, addressed the Board regarding Ms. Sylvia Lopez's appeal, stating ASRS members may choose annuity options upon retirement. Mr. James Addison Rizer retired on June 30, 2003, and chose a straight life annuity option. In 2010, Mr. Rizer appealed to the ASRS to change his straight life annuity option to a Joint and Survivor 50% option and to name his wife Sylvia Lopez as the contingent annuitant. Mr. Rizer passed away on November 9, 2010, and Ms. Lopez is continuing the appeal on her own behalf and requesting Joint and Survivor contingent annuitant benefits from Mr. Rizer's ASRS retirement account. Prior to his death, Mr. Rizer had asserted that he was incorrectly instructed by the ASRS that he could not name his wife as a contingent annuitant if she was more than 10 years younger than him. Mr. Rizer had stated that he did not choose the Joint and Survivor 50% option because Ms. Lopez was 11 years younger than himself.

Ms. Beljan noted the ASRS retirement form which Mr. Rizer signed, choosing the straight life annuity option, clearly informed him of the spousal age restrictions associated with the three possible Joint and Survivor options.

Ms. Lopez requested Mr. Rizer's friend, Mr. Steven Windtberg, speak on her behalf. Mr. Windtberg said Mr. Rizer had told him the ASRS incorrectly instructed him that he could not name his wife as a contingent annuitant because she was more than 10 years younger than him. Mr. Windtberg said he also attended an ASRS member meeting two years after Mr. Rizer did, and concluded his spouse could not receive a benefit if she was more than 10 years younger than him. He acknowledged there was no evidence that the ASRS verbally informed Mr. Rizer or himself correctly or incorrectly.

Ms. Lopez said she was willing to pay the ASRS the difference with interest, in benefits Mr. Rizer had received over eight years if the Board allowed her to become the contingent annuitant. She said the only new information since her hearing with Administrative Law Judge Brian Tully was that she and Mr. Rizer detrimentally relied on the verbal information from the ASRS.

Ms. Beljan noted, in his Recommended Decision dated March 21, 2011, the Administrative Law Judge upheld the ASRS determination that Mr. Rizer's straight life annuity election may not be changed. Thus, no contingent annuitant benefits should be paid to Ms. Sylvia Lopez. The Recommended Decision also noted in Finding of Fact No. 11 that there was no credible evidence that ASRS staff misinformed Mr. Rizer about the 10 year age restriction.

**Motion:** Mr. Tom Connelly moved to accept the ruling of the Administrative Law Judge. Professor Dennis Hoffman seconded the motion.

By a vote of 6 in favor, 0 opposed, 1 abstention, and 2 excused, the motion was approved.

## **5. Presentation, Discussion and Appropriate Action Regarding the Annual Board Governance Policy Handbook Review**

Mr. Paul Matson, Director, addressed the Board regarding potential modifications to the Governance Handbook, as recommended by the External Affairs Committee (EAC), the Operations Committee (OC), the Investment Committee (IC) and staff. He outlined some of the changes including the following:

- Modifications allowing staff to extend investment consultant contracts
- Incorporation of the existing Audit Charter
- Incorporation of an annual review of the Investment Policy Statement
- Clarification on LTD appeals to the Board being allowed to occur in Executive Session
- Addition of an annual review of the new Supplemental Salary Deferral Plan (SSDP)

Mr. Matson noted there was discussion in the last IC meeting about changing from four Director's Asset Class Committees to two. He said the IC decided to think about this for a month or two prior to a final decision, at which time any recommended change will be brought before the Board should there be a recommendation to change the number of Asset Class Committees.

**Motion:** Mr. Tom Connelly moved to approve the changes made to the Board Governance Policy Handbook as recommended by the External Affairs Committee, the Operations Committee, the Investment Committee and staff.

Mr. Chris Harris seconded the motion.

By a vote of 7 in favor, 0 opposed, 0 abstentions, and 2 excused, the motion was approved.

## **6. Presentation, Discussion and Appropriate Action Regarding the Director's Outreach Presentations**

Mr. Byers noted there was still a lot of Board business to cover and some trustees had schedule restraints requiring the postponement of this topic.

## **7. Notification of Upcoming Board Elections to Occur at the May 21, 2010 Board Meeting**

Mr. Byers addressed the Board regarding upcoming Board elections to occur at the May 20, 2011 Board Meeting. Pursuant to the ASRS Board Governance Handbook, the ASRS Board is to elect a Board Chair and Vice-chair for Fiscal Year 2011/2012. The new Chair and Vice-chair positions will become effective July 1, 2011, and will continue through June 30, 2012.

## **8. Director's Report**

Mr. Matson presented the Director's Report, stating the ASRS will soon convert existing retired members who receive payment via physical checks to debit cards. New retirees will receive electronic deposit payments.

Mr. Matson said there is now a new Smart Form for refunds on the ASRS website, and without any announcement of it, it has been very successful, and many people have already used it.

Mr. Matson noted the Actuarial RFP and the LTD RFP are currently in open solicitation and vendor recommendations will be brought before the Board for approval. Mr. Chris Harris said there is also a Private Markets RFP in open solicitation, which will not be brought before the Board.

## **9. Presentation and Discussion with Respect to Informational Updates from the Operations Committee, Investment Committee, and External Affairs Committee**

Mr. Michael Townsend, Chair, External Affairs Committee, said the next External Affairs Committee meeting will take place May 6, 2011.

Mr. Tom Connelly, Chair, Investment Committee (IC), said the next IC meeting will take place June 13, 2011. The IC met on April 11, 2011.

Mr. Tom Manos, Vice-chair, Operations Committee (OC), said the next OC meeting will take place May 26, 2011.

## **10. New Agenda Items**

No requests were made.

## **11. Call to the Public**

Ms. Linda Somo, AEA – Retired, requested to speak. Ms. Somo spoke regarding the legislative agenda item, saying the ASRS has full support of AEA – Retired regarding their efforts as a result of recent legislative changes.

## **12. Presentation, Discussion and Appropriate Action with Respect to the ASRS Director Performance Evaluation**

Mr. Byers said the Board would adjourn to Executive Session which would take place in the 14<sup>th</sup> floor conference room and would adjourn from there.

After verifying with the Tucson office that no members of the public were remaining in attendance, it was decided not to reconnect to the Tucson office via teleconference upon adjournment of the Executive Session.

The Board recessed from the Regular Meeting at 11:37 a.m., to relocate to the 14<sup>th</sup> floor.

The Board convened to Executive Session at 11:47 a.m.

The Board returned to the Regular Meeting at 12:03 p.m.

Mr. Byers commended the Director on his excellent performance during past years and again last year.

**13. The next regular ASRS Board meeting is scheduled for Friday, May 20, 2011, at 8:30 a.m., at 3300 N. Central Avenue, 10<sup>th</sup> Floor Board room, Phoenix, Arizona.**

#### **14. Adjournment of the ASRS Board**

Mr. Byers adjourned the Board meeting at 12:03 p.m.

#### **ARIZONA STATE RETIREMENT SYSTEM**

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Lisa Maddox  
Board Secretary

Date

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Paul Matson  
Director

Date